

STATE OF MICHIGAN



JAMES J. BLANCHARD, Governor

DEPARTMENT OF TREASURY

ROBERT A. BOWMAN, State Treasurer

STATE TAX COMMISSION4th Floor Treasury Building
Lansing, Michigan 48922 Telephone 517 373-0500**COMMISSION MEMBERS**THEODORE P. MANSOUR
LEROY J. NELSON
ROBERT O. VANDERMARK

TO: Assessing Officers, Equalization Directors and Treasurers

FROM: State Tax Commission

RE: Tax Increment Financing

Tax increment financing is allowed under three Michigan laws: The Downtown Development Authority Act, Act No. 197 of the Public Acts of 1975, being sections 125.1651 to 125.1680 of the Michigan Compiled Laws; The Tax Increment Financing Authority Act, Act No. 450 of the Public Acts of 1980, being sections 125.1801 to 125.1828 of the Michigan Compiled Laws; and the Local Development Financing Authority Act, Act No. 281 of the Public Acts of 1986, being sections 125.2151 to 125.2174 of the Michigan Compiled Laws.

Act No. 425 of the Public Acts of 1988 amended the Downtown Development Authority Act by adding two new sections, 1a and 31, and by amending sections 14 and 15 of the act. Act No. 108 of the Public Acts of 1989 amended section 14 of the act.

Act No. 420 of the Public Acts of 1988 amended the Tax Increment Financing Authority Act by adding a new section 30 and by amending sections 13 and 14 of the act. Act No. 120 of the Public Acts of 1989 amended section 13 of the act.

Acts 420 and 425 of 1988 and Acts 108 and 120 of 1989 have been attached to this bulletin. Please read these acts, which are effective for taxes levied in 1989.

Authority of the State Tax Commission

The three tax increment laws authorize the State Tax Commission to institute proceedings to compel enforcement of the acts. The three laws also require that the annual tax increment financing report be sent to the State Tax Commission as well as to the municipality. The State Tax Commission may require information to be included in the annual report.

Calculation of Captured Assessed Value

The three tax increment laws also require the State Tax Commission to "prescribe the method for calculating captured assessed value."

The amount of captured value is determined by comparing the total initial assessed values for all of the properties in the district with the total of all assessed values for the current tax year. Some property assessed values may have declined from the initial assessed values but the capture is based on the net of all changes in assessed values. Declining values reduce the net increase in value. And increases in value on the ad valorem or other tax roll must be reduced by any decline in value on any other tax roll.

Value of New Facilities Subject to a Specific Tax

As amended, the three tax increment laws provide a uniform computation of captured assessed value for property subject to the industrial facilities tax, the commercial facilities tax, and the technology park facilities tax. The laws now provide that in computing the initial and captured value for properties taxed at half the millage rate, as in the case with a new facility having an Industrial, Commercial, or Technology Park Facilities Exemption Certificate, only one-half of the equivalent state equalized value is considered to be assessed value.

For example, if a new facility with an Industrial Facilities Exemption Certificate has an equivalent SEV of \$1,000,000 for 1989 and the total ad valorem millage rate was 40 mills and the same facility had a \$900,000 equivalent SEV and the same 40 mill ad valorem rate, when the "initial assessed value" was determined, the district's initial and captured value would be computed as follows:

Initial and Captured Assessed Values of Specific Tax Properties pursuant to Acts 420 and 425

Example Assumes New Facility, 1974 PA 198 Certificate

Initial Assessed Value

Total Equivalent SEV (initial)	\$900,000
Ad valorem Millage Rate (40 mills)	.040
Tax Revenue at 1/2 Rate (20 mills)	\$ 18,000
Divide \$18,000 by Full Rate of 0.040 equals	
Initial Assessed Value for TIF purposes	\$450,000

Current Assessed Value

Current year Equivalent SEV	\$1,000,000
Current year ad valorem	
Millage Rate (40 mills)	.040
Tax Revenue at 1/2 Rate (20 mills)	\$ 20,000
Divide \$20,000 by .040 equals Current Year	
Assessed Value for TIF purpose	\$ 500,000

Captured Assessed Values

Current Year Assessed Value minus	\$ 500,000
Initial Year Assessed Value equals	= 450,000
Captured Assessed Value	\$ 50,000

Captured Revenue

Captured Value multiplied by	\$ 50,000
Full Ad Valorem Rate (40 mills) equals	<u>x .040</u>
Captured Revenue	\$ 2,000

Please note that this example is only to demonstrate the implementation of the new language for accounting for the assessed value for the various specific taxes that might be involved with a tax increment district.

The instructions for assigning assessed value to property taxed by a specific tax such as an industrial facilities tax, commercial facilities tax, etc., provide a single interpretation to the term captured assessed value.

We stress that the statutory procedures for computing the initial and captured assessed values for Tax Increment financing purposes on properties having exemption certificates does not change the manner in which the specific tax rolls are prepared for properties. For example, if a new facility has an industrial facilities exemption certificate the full equivalent SEV is entered in the current specific tax roll and 1/2 of the total ad valorem millage rate is applied to determine the tax due. Similarly, if the industrial facilities exemption certificate is for a replacement facility, the frozen equivalent SEV is entered on the specific tax roll and the total ad valorem millage rate is applied to determine the specific tax due.

Limits on Sharing Captured Tax Revenue with Municipalities and Counties under Downtown Development Authority and Tax Increment Financing Authority Act.

Section 14(3) of the Downtown Development Authority Act and Section 13(2)(b) of the Tax Increment Financing Authority Act provide that "The percentage of taxes levied for school operating purposes that is captured and used by the plan shall not be greater than the plan's percentage capture and use of taxes levied by a municipality or county for operating purposes."

In at least a few instances tax increment plans under the two acts have retained the entire school operating tax revenue on the captured value while at the same returning all or part of the captured tax revenue to municipalities or counties. Beginning with the 1989 tax levies this practice will no longer be allowed, with five exceptions:

- 1) Agreements entered into before 1989 between an authority and a county remain in effect;
- 2) Agreements entered into before 1989 between an authority and a city in which an enterprise zone is approved under section 13 of the enterprise zone act remain in effect;
- 3) If a portion of the captured tax revenue was shared with a municipality in 1988, a plan, for 1989-1991 only, may share with the municipality the percentage of captured tax revenue shared with the school district or the following amount, whichever is greater:

- a) for 1989, 100% of the dollar amount shared with the municipality in 1988
- b) for 1990, $\frac{2}{3}$ of the dollar amount shared with the municipality in 1988;
- c) for 1991, $\frac{1}{3}$ of the dollar amount shared with the municipality in 1988;

4) The limitation does not apply to county extra-voted millage;

5) Section 14(3) of the Downtown Development Authority Act provides that captured tax revenue used to pay general obligation bonds issued by a municipality under section 16(1) of the act to finance the development of a tax increment financing plan shall be considered to be used by the tax increment financing plan rather than shared with the municipality.

Responsibilities of Assessors, Equalization Directors and Local Treasurers

Assessors, equalization directors and local treasurers shall comply with the law and this bulletin and shall report to the State Tax Commission any noncompliance with the law or this bulletin.

Questions Regarding Tax Increment Financing Districts

The State Tax Commission has received many inquiries regarding tax increment financing plans. The following comments reflect the answers we have given to questions received.

The initial value includes the total value of all taxable property, real and personal in the TIF district, including property taxed under specific tax laws.

Captured assessed value is computed based on all property included in the District rather than on individual parcels. For example, assume the initial total assessed value was \$1,000,000 in the TIF district and that the current total assessed value in the TIF district is \$1,500,000. Also assume that for one of the properties the initial assessed value was \$200,000 but the current assessed value is \$100,000. The captured assessed value of the TIF district is \$500,000 or the difference of \$1,500,000 minus \$1,000,000. The fact that there was a shrinkage of assessed value for any individual property does not alter the fact that the total assessed value of the TIF district increased a net of \$500,000.

A separate tax or assessment roll is not to be made for TIF district properties for the levy of taxes.

The municipality establishing a Tax Increment Financing District must create a permanent listing of the properties included, with the initial assessed values and the assessed values for each property and totals for all property for each subsequent year.

The tax collecting jurisdiction must recognize that the tax revenues generated each year from the total initial assessed value must be accounted for and distributed to the various taxing jurisdictions prior to distributing the captured revenue to the TIF district.

If further assistance is needed please write or phone (517) 373-0500.

Act No. 420
Public Acts of 1988
Approved by the Governor
December 24, 1988
Filed with the Secretary of State
December 27, 1988

(1988 Amendments to the Tax Increment Finance Authority Act)

**STATE OF MICHIGAN
84TH LEGISLATURE
REGULAR SESSION OF 1988**

Introduced by Senators Nichols, Shinkle, Sederburg and Engler

ENROLLED SENATE BILL No. 909

AN ACT to amend the title and sections 13 and 14 of Act No. 450 of the Public Acts of 1980, entitled "An act to prevent urban deterioration and encourage economic development and activity and to encourage neighborhood revitalization and historic preservation; to provide for the establishment of tax increment finance authorities and to prescribe their powers and duties; to authorize the acquisition and disposal of interests in real and personal property; to provide for the creation and implementation of development plans; to provide for the creation of a board to govern an authority and to prescribe its powers and duties; to permit the issuance of bonds and other evidences of indebtedness by an authority; and to permit the use of tax increment financing," as amended by Act No. 294 of the Public Acts of 1986, being sections 125.1813 and 125.1814 of the Michigan Compiled Laws; and to add section 30.

The People of the State of Michigan enact:

Section 1. The title and sections 13 and 14 of Act No. 450 of the Public Acts of 1980, as amended by Act No. 294 of the Public Acts of 1986, being sections 125.1813 and 125.1814 of the Michigan Compiled Laws, are amended and section 30 is added to read as follows:

TITLE

An act to prevent urban deterioration and encourage economic development and activity and to encourage neighborhood revitalization and historic preservation; to provide for the establishment of tax increment finance authorities and to prescribe their powers and duties; to authorize the acquisition and disposal of interests in real and personal property; to provide for the creation and implementation of development plans; to provide for the creation of a board to govern an authority and to prescribe its powers and duties; to permit the issuance of bonds and other evidences of indebtedness by an authority; to permit the use of tax increment financing; and to prescribe the powers and duties of certain state agencies and officers.

Sec. 13. (1) As used in this section and sections 14 and 18:

(a) "Captured assessed value" means the amount in any 1 year by which the current assessed value of the development area, including the assessed value of property for which specific local taxes are paid in lieu of property taxes as determined in subdivision (c), exceeds the initial assessed value. The state tax commission shall prescribe the method for calculating captured assessed value.

(b) "Initial assessed value" means the assessed value, as equalized, of all the taxable property within the boundaries of the development area at the time the resolution establishing the tax increment financing plan is approved as shown by the most recent assessment roll of the municipality for which equalization has been completed at the time the resolution is adopted. Property exempt from taxation at the time of the determination

of the initial assessed value shall be included as zero. For the purpose of determining initial assessed value, property for which a specific local tax is paid in lieu of a property tax shall not be considered property that is exempt from taxation. The initial assessed value of property for which a specific tax was paid in lieu of a property tax shall be determined as provided in subdivision (c).

(c) "Specific local tax" means a tax levied under Act No. 198 of the Public Acts of 1974, being sections 207.551 to 207.751 of the Michigan Compiled Laws, the commercial redevelopment act, Act No. 255 of the Public Acts of 1978, being sections 207.651 to 207.668 of the Michigan Compiled Laws, the technology park development act, Act No. 385 of the Public Acts of 1984, being sections 207.701 to 207.718 of the Michigan Compiled Laws, and Act No. 189 of the Public Acts of 1953, being sections 211.181 to 211.182 of the Michigan Compiled Laws. The initial assessed value or current assessed value of property subject to a specific local tax shall be the quotient of the specific local tax paid divided by the ad valorem millage rate.

(2) When the authority determines that it is necessary for the achievement of the purposes of this act, the authority shall prepare and submit a tax increment financing plan to the governing body. The plan shall be in compliance with section 14 and shall include a development plan as provided in section 16. The plan shall also contain the following:

(a) A statement of the reasons that the plan will result in the development of captured assessed value that could not otherwise be expected. The reasons may include, but are not limited to, activities of the municipality, authority, or others undertaken before formulation or adoption of the plan in reasonable anticipation that the objectives of the plan would be achieved by some means.

(b) An estimate of the captured assessed value for each year of the plan. The plan may provide for the use of part or all of the captured assessed value, but the portion intended to be used shall be clearly stated in the plan. The authority or municipality may exclude from captured assessed value growth in property value resulting solely from inflation. The plan shall set forth the method for excluding growth in property value resulting solely from inflation. The percentage of taxes levied for school operating purposes that is captured and used by the plan shall not be greater than the plan's percentage capture and use of taxes levied by a city, county, township, or village for operating purposes. For purposes of the previous sentence, taxes levied by a county for operating purposes include only millage allocated for county or charter county purposes under the property tax limitation act, Act No. 62 of the Public Acts of 1933, being sections 211.201 to 211.217a of the Michigan Compiled Laws.

(c) The estimated tax increment revenues for each year of the plan.

(d) A detailed explanation of the tax increment procedure.

(e) The maximum amount of bonded indebtedness to be incurred.

(f) The amount of operating and planning expenditures of the authority and municipality, the amount of advances extended by or indebtedness incurred by the municipality, and the amount of advances by others to be repaid from tax increment revenues.

(g) The costs of the plan anticipated to be paid from tax increment revenues as received.

(h) The duration of the development plan and the tax increment plan.

(i) An estimate of the impact of tax increment financing on the revenues of all taxing jurisdictions in which the development area is located.

(3) Approval of the tax increment financing plan shall be in accordance with the notice, hearing, disclosure, and approval provisions of sections 17 and 18. When the development plan is part of the tax increment financing plan, only 1 hearing and approval procedure is required for the 2 plans together.

(4) Before the public hearing on the tax increment financing plan, the governing body shall provide a reasonable opportunity to the taxing jurisdictions in which the development is located to express their views and recommendations regarding the tax increment financing plan. The authority shall fully inform the taxing jurisdictions about the fiscal and economic implications of the proposed tax increment financing plan. The taxing jurisdictions may present their recommendations at the public hearing on the tax increment financing plan. The authority may enter into agreements with the taxing jurisdictions and the governing body of the municipality in which the development area is located to share a portion of the captured assessed value of the district.

Sec. 14. (1) The amount of tax increment to be transmitted to the authority by the municipal and county treasurers shall be that portion of the tax levy of all taxing bodies paid each year on real and personal property in the development area on the captured assessed value. For the purposes of this section, that portion of a specific local tax that is attributable to the captured assessed value of the facility shall be included as a part of the tax increment to be transmitted to the authority.

(2) The authority shall expend the tax increments received for the development program only in accordance with the tax increment financing plan. Surplus funds may be retained by the authority for the payment of the principal of and interest on outstanding tax increment bonds or for other purposes that, by resolution of the

board, are determined to further the development program. Any surplus funds not so used shall revert proportionately to the respective taxing bodies. These revenues shall not be used to circumvent existing property tax laws or a local charter that provides a maximum authorized rate for levy of property taxes. The governing body may abolish the tax increment financing plan when it finds that the purposes for which the plan was established are accomplished. However, the tax increment finance plan shall not be abolished until the principal of and interest on bonds issued pursuant to section 15 have been paid or funds sufficient to make such payment have been segregated.

(3) The authority shall submit annually to the governing body and the state tax commission a financial report on the status of the tax increment financing plan. The report shall include the following:

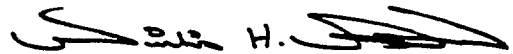
- (a) The amount and source of tax increments received.
- (b) The amount in any bond reserve account.
- (c) The amount and purpose of expenditures of tax increment revenues.
- (d) The amount of principal and interest on any outstanding bonded indebtedness.
- (e) The initial assessed value of the development area.
- (f) The captured assessed value retained by the authority.
- (g) Any additional information the governing body or the state tax commission considers necessary.

Sec. 30. (1) The state tax commission may institute proceedings to compel enforcement of this act.

(2) The state tax commission may promulgate rules necessary for the administration of this act pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws.

Section 2. This amendatory act is effective beginning with taxes levied in 1989.

This act is ordered to take immediate effect.



Secretary of the Senate.



Clerk of the House of Representatives.

Approved.....

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Governor.

Act No. 120
Public Acts of 1989
Approved by the Governor
June 28, 1989
Filed with the Secretary of State
June 28, 1989

(1989 Amendment to the Tax Increment Finance Authority Act)

**STATE OF MICHIGAN
85TH LEGISLATURE
REGULAR SESSION OF 1989**

Introduced by Senator Schwarz

ENROLLED SENATE BILL No. 329

AN ACT to amend section 13 of Act No. 450 of the Public Acts of 1980, entitled as amended "An act to prevent urban deterioration and encourage economic development and activity and to encourage neighborhood revitalization and historic preservation; to provide for the establishment of tax increment finance authorities and to prescribe their powers and duties; to authorize the acquisition and disposal of interests in real and personal property; to provide for the creation and implementation of development plans; to provide for the creation of a board to govern an authority and to prescribe its powers and duties; to permit the issuance of bonds and other evidences of indebtedness by an authority; and to permit the use of tax increment financing; and to prescribe the powers and duties of certain state agencies and officers," as amended by Act No. 420 of the Public Acts of 1988, being section 125.1813 of the Michigan Compiled Laws.

The People of the State of Michigan enact:

Section 1. Section 13 of Act No. 450 of the Public Acts of 1980, as amended by Act No. 420 of the Public Acts of 1988, being section 125.1813 of the Michigan Compiled Laws, is amended to read as follows:

Sec. 13. (1) As used in this section and sections 14 and 18:

(a) "Captured assessed value" means the amount in any 1 year by which the current assessed value of the development area, including the assessed value of property for which specific local taxes are paid in lieu of property taxes as determined in subdivision (c), exceeds the initial assessed value. The state tax commission shall prescribe the method for calculating captured assessed value.

(b) "Initial assessed value" means the assessed value, as equalized, of all the taxable property within the boundaries of the development area at the time the resolution establishing the tax increment financing plan is approved as shown by the most recent assessment roll of the municipality for which equalization has been completed at the time the resolution is adopted. Property exempt from taxation at the time of the determination of the initial assessed value shall be included as zero. For the purpose of determining initial assessed value,

property for which a specific local tax is paid in lieu of a property tax shall not be considered property that is exempt from taxation. The initial assessed value of property for which a specific tax was paid in lieu of a property tax shall be determined as provided in subdivision (c).

(c) "Specific local tax" means a tax levied under Act No. 198 of the Public Acts of 1974, being sections 207.551 to 207.571 of the Michigan Compiled Laws, the commercial redevelopment act, Act No. 255 of the Public Acts of 1978, being sections 207.651 to 207.668 of the Michigan Compiled Laws, the technology park development act, Act No. 385 of the Public Acts of 1984, being sections 207.701 to 207.718 of the Michigan Compiled Laws, and Act No. 189 of the Public Acts of 1953, being sections 211.181 to 211.182 of the Michigan Compiled Laws. The initial assessed value or current assessed value of property subject to a specific local tax shall be the quotient of the specific local tax paid divided by the ad valorem millage rate.

(2) When the authority determines that it is necessary for the achievement of the purposes of this act, the authority shall prepare and submit a tax increment financing plan to the governing body. The plan shall be in compliance with section 14 and shall include a development plan as provided in section 16. The plan shall also contain the following:

(a) A statement of the reasons that the plan will result in the development of captured assessed value that could not otherwise be expected. The reasons may include, but are not limited to, activities of the municipality, authority, or others undertaken before formulation or adoption of the plan in reasonable anticipation that the objectives of the plan would be achieved by some means.

(b) An estimate of the captured assessed value for each year of the plan. The plan may provide for the use of part or all of the captured assessed value, but the portion intended to be used shall be clearly stated in the plan. The authority or municipality may exclude from captured assessed value growth in property value resulting solely from inflation. The plan shall set forth the method for excluding growth in property value resulting solely from inflation. The percentage of taxes levied for school operating purposes that is captured and used by the plan shall not be greater than the plan's percentage capture and use of taxes levied by a municipality or county for operating purposes. For purposes of the previous sentence, taxes levied by a county for operating purposes include only millage allocated for county or charter county purposes under the property tax limitation act, Act No. 62 of the Public Acts of 1933, being sections 211.201 to 211.217a of the Michigan Compiled Laws. This limitation does not apply to the portion of the captured assessed value shared pursuant to an agreement entered into before 1989 with a county or with a city in which an enterprise zone is approved under section 13 of the enterprise zone act, Act No. 224 of the Public Acts of 1985, being section 125.2113 of the Michigan Compiled Laws. If a portion of the captured assessed value was shared with a municipality in 1988, for tax years 1989 through 1991, a plan may share with the municipality the greater of the amount allowed by the limitation of this subsection or the following applicable amount:

(i) For the 1989 tax year, 100% of the dollar amount shared with the municipality in 1988.

(ii) For the 1990 tax year, 2/3 of the dollar amount shared with the municipality in 1988.

(iii) For the 1991 tax year, 1/3 of the dollar amount shared with the municipality in 1988.

(c) The estimated tax increment revenues for each year of the plan.

(d) A detailed explanation of the tax increment procedure.

(e) The maximum amount of bonded indebtedness to be incurred.

(f) The amount of operating and planning expenditures of the authority and municipality, the amount of advances extended by or indebtedness incurred by the municipality, and the amount of advances by others to be repaid from tax increment revenues.

(g) The costs of the plan anticipated to be paid from tax increment revenues as received.

(h) The duration of the development plan and the tax increment plan.

(i) An estimate of the impact of tax increment financing on the revenues of all taxing jurisdictions in which the development area is located.

(3) Approval of the tax increment financing plan shall be in accordance with the notice, hearing, disclosure, and approval provisions of sections 17 and 18. When the development plan is part of the tax increment financing plan, only 1 hearing and approval procedure is required for the 2 plans together.

(4) Before the public hearing on the tax increment financing plan, the governing body shall provide a reasonable opportunity to the taxing jurisdictions in which the development is located to express their views and recommendations regarding the tax increment financing plan. The authority shall fully inform the taxing jurisdictions about the fiscal and economic implications of the proposed tax increment financing plan. The taxing jurisdictions may present their recommendations at the public hearing on the tax increment financing plan. The authority may enter into agreements with the taxing jurisdictions and the governing body of the municipality in which the development area is located to share a portion of the captured assessed value of the district.

Act No. 425
Public Acts of 1988
Approved by the Governor
December 24, 1988
Filed with the Secretary of State
December 27, 1988

(1988 Amendments to the Downtown Development Authority Act)

**STATE OF MICHIGAN
84TH LEGISLATURE
REGULAR SESSION OF 1988**

Introduced by Rep. Gagliardi

ENROLLED HOUSE BILL No. 5609

AN ACT to amend the title and sections 14 and 15 of Act No. 197 of the Public Acts of 1975, entitled "An act to provide for the establishment of a downtown development authority; to prescribe its powers and duties; to correct and prevent deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; and to authorize the use of tax increment financing," as amended by Act No. 229 of the Public Acts of 1986, being sections 125.1664 and 125.1665 of the Michigan Compiled Laws; and to add sections 1a and 31.

The People of the State of Michigan enact:

Section 1. The title and sections 14 and 15 of Act No. 197 of the Public Acts of 1975, as amended by Act No. 229 of the Public Acts of 1986, being sections 125.1664 and 125.1665 of the Michigan Compiled Laws, are amended and sections 1a and 31 are added to read as follows:

TITLE

An act to provide for the establishment of a downtown development authority; to prescribe its powers and duties; to correct and prevent deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; to authorize the use of tax increment financing; and to prescribe the powers and duties of certain state officials.

Sec. 1a. The legislature finds all of the following:

(a) That there exists in this state conditions of property value deterioration detrimental to the state economy and the economic growth of the state and its local units of government.

(b) That government programs are desirable and necessary to eliminate the causes of property value deterioration thereby benefiting the economic growth of the state.

(c) That it is appropriate to finance these government programs by means available to the state and local units of government in the state, including tax increment financing.

(d) That tax increment financing is a government financing program that contributes to economic growth and development by dedicating a portion of the increase in the tax base resulting from economic growth and

development to facilities, structures, or improvements within a development area thereby facilitating economic growth and development.

(e) That it is necessary for the legislature to exercise its power to legislate tax increment financing as authorized in this act and in the exercise of this power to mandate the transfer of tax increment revenues by city, village, township, school district, and county treasurers to authorities created under this act in order to effectuate the legislative government programs to eliminate property value deterioration and to promote economic growth.

(f) That halting property value deterioration and promoting economic growth in the state are essential governmental functions and constitute essential public purposes.

(g) That economic development strengthens the tax base upon which local units of government rely and that government programs to eliminate property value deterioration benefit local units of government and are for the use of the local units of government.

(h) That the provisions of this act are enacted to provide a means for local units of government to eliminate property value deterioration and to promote economic growth in the communities served by those local units of government.

Sec. 14. (1) As used in this section and section 15:

(a) "Captured assessed value" means the amount in any 1 year by which the current assessed value of the project area, including the assessed value of property for which specific local taxes are paid in lieu of property taxes as determined in subdivision (c), exceeds the initial assessed value. The state tax commission shall prescribe the method for calculating captured assessed value.

(b) "Initial assessed value" means the assessed value, as equalized, of all the taxable property within the boundaries of the development area at the time the ordinance establishing the tax increment financing plan is approved, as shown by the most recent assessment roll of the municipality for which equalization has been completed at the time the resolution is adopted. Property exempt from taxation at the time of the determination of the initial assessed value shall be included as zero. For the purpose of determining initial assessed value, property for which a specific local tax is paid in lieu of a property tax, shall not be considered to be property which is exempt from taxation. The initial assessed value of property for which a specific tax was paid in lieu of a property tax shall be determined as provided in subdivision (c).

(c) "Specific local tax" means a tax levied under Act No. 198 of the Public Acts of 1974, being sections 207.551 to 207.751 of the Michigan Compiled Laws, the commercial redevelopment act, Act No. 255 of the Public Acts of 1978, being sections 207.651 to 207.668 of the Michigan Compiled Laws, the technology park development act, Act No. 385 of the Public Acts of 1984, being sections 207.701 to 207.718 of the Michigan Compiled Laws, and Act No. 189 of the Public Acts of 1953, being sections 211.181 to 211.182 of the Michigan Compiled Laws. The initial assessed value or current assessed value of property subject to a specific local tax shall be the quotient of the specific local tax paid divided by the ad valorem millage rate.

(2) When the authority determines that it is necessary for the achievement of the purposes of this act, the authority shall prepare and submit a tax increment financing plan to the governing body of the municipality. The plan shall include a development plan as provided in section 17, a detailed explanation of the tax increment procedure, the maximum amount of bonded indebtedness to be incurred, and the duration of the program, and shall be in compliance with section 15. The plan shall contain a statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the development area is located. The plan may provide for the use of part or all of the captured assessed value, but the portion intended to be used by the authority shall be clearly stated in the tax increment financing plan. The authority or municipality may exclude from captured assessed value growth in property value resulting solely from inflation. The plan shall set forth the method for excluding growth in property value resulting solely from inflation. The percentage of taxes levied for school operating purposes that is captured and used by the plan shall not be greater than the plan's percentage capture and use of taxes levied by a city, county, township, or village for operating purposes. For purposes of the previous sentence, taxes levied by a county for operating purposes include only millage allocated for county or charter county purposes under the property tax limitation act, Act No. 62 of the Public Acts of 1933, being sections 211.201 to 211.217a of the Michigan Compiled Laws.

(3) Approval of the tax increment financing plan shall be pursuant to the notice, hearing, and disclosure provisions of section 18. If the development plan is part of the tax increment financing plan, only 1 hearing and approval procedure is required for the 2 plans together.

(4) Before the public hearing on the tax increment financing plan, the governing body shall provide a reasonable opportunity to the members of the county board of commissioners of a county in which any portion of the development area is located and to the members of the school board of any school district in which any portion of the development area is located to meet with the governing body. The authority shall fully inform members of the county boards of commissioners and of the school boards of the fiscal and economic implications of the proposed development area. The members of the county boards of commissioners and of the school boards

may present their recommendations at the public hearing on the tax increment financing plan. The authority may enter into agreements with the county board of commissioners, the school boards, and the governing body of the municipality in which the development area is located to share a portion of the captured assessed value of the district.

(5) A tax increment financing plan may be modified if the modification is approved by the governing body upon notice and after public hearings and agreements as are required for approval of the original plan.

Sec. 15. (1) The amount of tax increment to be transmitted to the authority by the municipal and county treasurers shall be that portion of the tax levy of all taxing bodies paid each year on real and personal property in the project area on the captured assessed value. For the purpose of this section, that portion of a specific local tax that is attributable to the captured assessed value of the facility shall be included as a part of the tax increment to be transmitted to the authority.

(2) The authority shall expend the tax increments received for the development program only pursuant to the tax increment financing plan. Surplus funds shall revert proportionately to the respective taxing bodies. These revenues shall not be used to circumvent existing property tax limitations. The governing body of the municipality may abolish the tax increment financing plan when it finds that the purposes for which it was established are accomplished. However, the tax increment financing plan shall not be abolished until the principal of, and interest on, bonds issued pursuant to section 16 have been paid or funds sufficient to make the payment have been segregated.

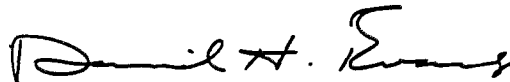
(3) Annually the authority shall submit to the governing body of the municipality and the state tax commission a report on the status of the tax increment financing account. The report shall include: the amount and source of revenue in the account; the amount and purpose of expenditures from the account; the amount of principal and interest on any outstanding bonded indebtedness; the initial assessed value of the project area; the captured assessed value retained by the authority; the tax increments received; and any additional information the governing body or the state tax commission considers necessary. The report shall be published in a newspaper of general circulation in the municipality.

Sec. 31. (1) The state tax commission may institute proceedings to compel enforcement of this act.

(2) The state tax commission may promulgate rules necessary for the administration of this act pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws.

Section 2. This amendatory act is effective beginning with taxes levied in 1989. However, for taxes levied before 1989, tax increment revenues based on the definition of initial assessed value provided for in this amendatory act that were received by an authority are validated.

This act is ordered to take immediate effect.



Clerk of the House of Representatives.



Secretary of the Senate.

Approved.....

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Governor.



-15-
Act No. 108
Public Acts of 1989
Approved by the Governor
June 22, 1989
Filed with the Secretary of State
June 23, 1989

(1989 Amendment to the Downtown Development Authority Act)

**STATE OF MICHIGAN
85TH LEGISLATURE
REGULAR SESSION OF 1989**

Introduced by Reps. Martin, Gilmer, Jondahl, DeMars and Pitoniak

ENROLLED HOUSE BILL No. 4629

AN ACT to amend section 14 of Act No. 197 of the Public Acts of 1975, entitled as amended "An act to provide for the establishment of a downtown development authority; to prescribe its powers and duties; to correct and prevent deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; to authorize the use of tax increment financing; and to prescribe the powers and duties of certain state officials," as amended by Act No. 425 of the Public Acts of 1988, being section 125.1664 of the Michigan Compiled Laws.

The People of the State of Michigan enact:

Section 1. Section 14 of Act No. 197 of the Public Acts of 1975, as amended by Act No. 425 of the Public Acts of 1988, being section 125.1664 of the Michigan Compiled Laws, is amended to read as follows:

Sec. 14. (1) As used in this section and section 15:

(a) "Captured assessed value" means the amount in any 1 year by which the current assessed value of the project area, including the assessed value of property for which specific local taxes are paid in lieu of property taxes as determined in subdivision (c), exceeds the initial assessed value. The state tax commission shall prescribe the method for calculating captured assessed value.

(b) "Initial assessed value" means the assessed value, as equalized, of all the taxable property within the boundaries of the development area at the time the ordinance establishing the tax increment financing plan is approved, as shown by the most recent assessment roll of the municipality for which equalization has been completed at the time the resolution is adopted. Property exempt from taxation at the time of the determination of the initial assessed value shall be included as zero. For the purpose of determining initial assessed value, property for which a specific local tax is paid in lieu of a property tax, shall not be considered to be property that is exempt from taxation. The initial assessed value of property for which a specific tax was paid in lieu of a property tax shall be determined as provided in subdivision (c).

(c) "Specific local tax" means a tax levied under Act No. 198 of the Public Acts of 1974, being sections 207.551 to 207.571 of the Michigan Compiled Laws, the commercial redevelopment act, Act No. 255 of the Public Acts of 1978, being sections 207.651 to 207.668 of the Michigan Compiled Laws, the technology park development act, Act No. 385 of the Public Acts of 1984, being sections 207.701 to 207.718 of the Michigan Compiled Laws, and Act No. 189 of the Public Acts of 1953, being sections 211.181 to 211.182 of the Michigan Compiled Laws. The initial assessed value or current assessed value of property subject to a specific local tax shall be the quotient of the specific local tax paid divided by the ad valorem millage rate.

(2) When the authority determines that it is necessary for the achievement of the purposes of this act, the authority shall prepare and submit a tax increment financing plan to the governing body of the municipality. The plan shall include a development plan as provided in section 17, a detailed explanation of the tax increment procedure, the maximum amount of bonded indebtedness to be incurred, and the duration of the program, and

shall be in compliance with section 15. The plan shall contain a statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the development area is located. The plan may provide for the use of part or all of the captured assessed value, but the portion intended to be used by the authority shall be clearly stated in the tax increment financing plan. The authority or municipality may exclude from captured assessed value growth in property value resulting solely from inflation. The plan shall set forth the method for excluding growth in property value resulting solely from inflation.

(3) The percentage of taxes levied for school operating purposes that is captured and used by the tax increment financing plan shall not be greater than the plan's percentage capture and use of taxes levied by a municipality or county for operating purposes. For purposes of the previous sentence, taxes levied by a county for operating purposes include only millage allocated for county or charter county purposes under the property tax limitation act, Act No. 62 of the Public Acts of 1933, being sections 211.201 to 211.217a of the Michigan Compiled Laws. For purposes of this subsection, tax increment revenue used to pay bonds issued by a municipality under section 16(1) shall be considered to be used by the tax increment financing plan rather than shared with the municipality. The limitation of this subsection does not apply to the portion of the captured assessed value shared pursuant to an agreement entered into before 1989 with a county or with a city in which an enterprise zone is approved under section 13 of the enterprise zone act, Act No. 224 of the Public Acts of 1985, being section 125.2113 of the Michigan Compiled Laws. If a portion of the captured assessed value was shared with a municipality in 1988, for tax years 1989 through 1991, a plan may share with the municipality the greater of the amount allowed by the limitation of this subsection or the following applicable amount:

- (a) For the 1989 tax year, 100% of the dollar amount shared with the municipality in 1988.
- (b) For the 1990 tax year, 2/3 of the dollar amount shared with the municipality in 1988.
- (c) For the 1991 tax year, 1/3 of the dollar amount shared with the municipality in 1988.

(4) Approval of the tax increment financing plan shall be pursuant to the notice, hearing, and disclosure provisions of section 18. If the development plan is part of the tax increment financing plan, only 1 hearing and approval procedure is required for the 2 plans together.

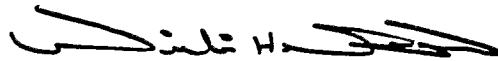
(5) Before the public hearing on the tax increment financing plan, the governing body shall provide a reasonable opportunity to the members of the county board of commissioners of a county in which any portion of the development area is located and to the members of the school board of any school district in which any portion of the development area is located to meet with the governing body. The authority shall fully inform members of the county boards of commissioners and of the school boards of the fiscal and economic implications of the proposed development area. The members of the county boards of commissioners and of the school boards may present their recommendations at the public hearing on the tax increment financing plan. The authority may enter into agreements with the county board of commissioners, the school boards, and the governing body of the municipality in which the development area is located to share a portion of the captured assessed value of the district.

(6) A tax increment financing plan may be modified if the modification is approved by the governing body upon notice and after public hearings and agreements as are required for approval of the original plan.

This act is ordered to take immediate effect.



Clerk of the House of Representatives.



Secretary of the Senate.

Approved.....

.....
Governor.